

INTERNATIONALIZATION OF SMEs: THE MOTIVES AN INTERNAL FACTORS IN SELECTING
MARKETS ENTRY MODE

BIBI NORAINI BT MOHD YUSUF

MASTER OF SCIENCE (INTERNATIONAL BUSINESS)

UNIVERSITI UTARA MALAYSIA

MAY 2010

C/Nb: 0000759589



KOLEJ PERNIAGAAN
(College of Business)
Universiti Utara Malaysia

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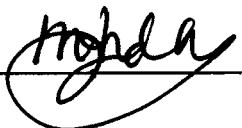
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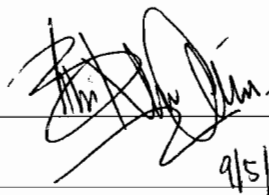
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ABSTRACT

This project paper will be focusing only on how Small Medium Enterprise (SME's) companies decide to go abroad and select their mode of foreign market entry. For better understanding of this project paper topic, several questionnaires will be formulated on the concerns and focusing on the motives for internationalization, approaches to foreign market entry modes and influence of internal factors. All the data are collected from experienced personnel and officers that are directly involved in international market and having served in companies having international market department. The company or respondent that is chosen for this project paper work is HPA Food Industries Sdn. Bhd, located at Jejawi Dalam, Perlis. However, only one person who works as an Assistant Manager of Marketing and Public Relations of HPA Food Industries Sdn. Bhd., Mr Mohamad Kamal Bin Ismail was chosen as a sample for this study. A qualitative approach was the most likely suitable in order to provide the answers for this project paper because the purpose of this study is to examine motives and internal factors that impacts SMEs approach to select the mode of entry for their company. Direct interview is one of the methodologies to get accurate and specific data for this project paper. Secondary data also will be used in this paper such as web sites, administrative records and others.

Internal triggers that influence SME's choosing mode of entry are perspective management and specific internal events. Only markets demand as an external trigger that significantly relates to this study topics compare to others includes competing company, trade associations and outside experts, are not related. Proactive factors that influence SME's decision to choose mode of entry includes managerial urge, unique product, marketing advantages and economies of scale. Reactive factors that positively relates to this paper work only involve risk diversifications but not external sales of seasonal product factors. SME's more are comfortable to use export as a first mode of entry and thereafter they expect to change to a more complex mode namely Foreign Direct Investments. In this study SME's use naive rules in choosing mode of entry but at the same time they also practice correct strategy rules to some extent. Three internal factors that positively relates to this paper work are company size, international experience and product.

Keywords

Mode of foreign market entry, motives for internationalization and internal factors influence company going to international markets.

ABSTRAK

Kertas kerja ini akan hanya memfokuskan kepada bagaimana Syarikat Kecil dan Sederhana (SKS) membuat keputusan untuk ke luar negara memilih kaedah kemasukan ke pasaran asing. Untuk memudahkan pemahaman kepada topik kertas kerja ini, soalan temuduga akan dibentuk dan akan memberi penekanan dan fokus kepada motif pengantarabangsaan syarikat, kaedah kemasukan ke pasaran antarabangsa dan pengaruh faktor dalaman syarikat. Data dikumpul dan diperolehi daripada pegawai kanan yang terlibat secara langsung dalam pasaran antarabangsa dan bekerja di bahagian antarabangsa dalam syarikat tersebut. Syarikat yang dipilih untuk kertas kerja ini ialah HPA Food Industries Sdn. Bhd. Syarikat yang terletak di Jejawi Dalam, Perlis ini dipilih sebagai responden untuk kertas kerja ini. Tetapi hanya seorang sahaja pegawai dipilih sebagai sampel kajian iaitu Encik Mohamad Kamal Bin Ismail yang memegang jawatan sebagai Penolong Pengurus, Perhubungan Awam dan Pemasaran. Kaedah kualitatif adalah yang paling sesuai untuk mendapatkan jawapan kepada topik kertas kerja ini kerana tujuan kajian ini dijalankan adalah untuk mengkaji motif dan faktor dalaman syarikat yang memberi kesan dalam pemilihan kaedah kemasukan ke pasaran asing syarikat SKS. Temuduga bersemuka adalah salah satu kaedah yang digunakan bagi mendapatkan data yang spesifik bagi kajian ini. Data sekunder juga akan digunakan dalam kertas kerja ini termasuk laman sesawang, rekod pentadbiran dan lain-lain lagi.

Pemetik atau penjana dalaman yang mempengaruhi SKS memilih kaedah kemasukan ke luar negara termasuklah perspektif pengurusan dan peristiwa dalaman yang spesifik. Hanya permintaan pasaran yang berkait secara positif kepada kajian ini berbanding faktor lain termasuk persaingan syarikat, persatuan perdagangan dan pakar luar yang tidak berkait. Faktor-faktor proaktif yang mempengaruhi keputusan syarikat untuk memilih kaedah kemasukan ke pasaran luar termasuklah desakan pengurusan, produk yang unik, kelebihan pemasaran dan skala ekonomi. Faktor reaktif yang berkait secara positif untuk kajian ini hanyalah penyebaran risiko dan tidak berkait bagi faktor produk bermusim. SKS lebih selesa menggunakan eksport sebagai langkah pertama mereka memasuki pasaran asing dan selepas mereka pakar mengenai selok-belok pasaran sasaran tersebut, SKS akan menukar kaedah eksport kepada kaedah yang lebih rumit iaitu pelaburan terus ke pasaran asing. Dalam kajian ini, didapati syarikat menggunakan pendekatan naif dalam memilih kaedah kemasukan ke pasaran antarabangsa tetapi pada masa yang tertentu SKS turut mempraktikkan pendekatan strategi dalam pemilihan kaedah ke pasaran asing. Tiga faktor dalaman yang berkait secara positif kepada kertas kerja ini adalah saiz syarikat, pengalaman antarabangsa dan produk.

Kata Kunci

Kaedah kemasukan ke pasaran asing, motif pengantarabangsaan syarikat and factor-faktor dalaman yang mempengaruhi syarikat ke pasaran antarabangsa.

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INTRODUCTION

1.0 INTRODUCTION

This section will discuss on internationalization definitions, background of this paper work, the Uppsala Model, entry strategy in international market, objective of this paper work and problem statements.

1.1 *Internationalization Definitions*

Growing globalization of national economies through trade and investment have increased the internationalization of production through small medium enterprise. This increased globalization creates great opportunities, but also poses significant challenges for managers and founders of new international ventures, opportunities and challenges that are important to understand to operate successfully in the new world market. Compounded with the rise of new forms of business organizations such as licensing, franchising, joint ventures, acquisition and foreign direct investments enable internationalization to become popular amongst Small and Medium-Sized Enterprises (SME's). SME's have some different characteristics compared to Multi National Companies (MNC's) that makes entrepreneur choose this kind of business. SMEs are not smaller versions of larger companies, but mainly due to their limited size they tend to interact differently with their environment (Brouthers and George Nakos, 2004). What differentiates SMEs from large multinational

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